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CSS BACKGROUND INFORMATION	
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CSS DAIRY PROGRAM	

The Commodity Stabilization Service dairy program embraces two major activities: (1) Supporting producer prices of butterfat and manufacturing milk at specified national levels, and (2) moving into consumption the dairy products acquired under price support operations. A third activity, which includes other Government agencies, seeks to increase consumption of dairy products as a means of lessening the need for price-support purchases.

### Price Support

Support of prices received by dairy producers for their products is mandatory under provisions of the Agricultural Act of 1949. Support is required to be within a 75-to-90 percent-of-parity range and is directed to be at the level within this range that the Secretary of Agriculture determines to be necessary to assure an adequate supply.

Because milk and butterfat as they come from the farm are highly perishable, price support is accomplished through the purchase of manufactured dairy products. Purchase of the more storable products (butter, cheddar cheese, and nonfat dry milk) provides a practical way of removing surplus milk production from normal channels of trade, since milk is converted to these products only after the needs for commercial market uses for milk products in all forms -- including fluid milk, cream, and ice cream -- have been met.

The price-support purchase prices for butter, cheddar cheese, and nonfat dry milk are announced in advance of each marketing year, which runs from April 1 through March 31 of the following calendar year. The purchase prices

for these dairy products (paid to processors and dealers by the Government) are set at levels calculated to maintain national average producer prices (paid to them by the processors) at the announced national average support prices for manufacturing milk and butterfat. The products purchased must meet rigid standards and specifications and are made only in carlot quantities.

The national average support prices for the current marketing year were set originally at \$3.06 per hundredweight for manufacturing milk and 56.6 cents per pound for butterfat. These prices reflected 76 percent of the parity price for butterfat and the parity equivalent price for manufacturing milk as of the beginning of the marketing year. However, later legislation (Public Law 86-799, approved by the President September 16, 1960) required that these average support levels be raised to \$3.22 and 59.6 cents, respectively, for the remainder of the marketing year.

In keeping with these higher support requirements (which reflect 80 percent of parity as of the beginning of the marketing year), the Commodity Credit Corporation raised its purchase prices for butter, cheddar cheese, and nonfat dry milk.

These products, purchased by the Commodity Credit Corporation to the extent they are offered, are stored in commercial warehouses (usually the same ones in which they were stored commercially before they were purchased) until they are moved through sale or donation or barter into one or another of various channels of use.

The buying is done by the CSS Commodity Offices in Cincinnati and Portland, Oregon, except that purchases of nonfat dry milk in small containers are handled in Washington.

Disposition of Products Acquired by CCC

Without continuous efforts to move price-support purchases of dairy products into consumption, CCC acquisitions in years of heavy surplus production of milk would grow to unmanageable proportions.

In the spring of 1954, CCC's uncommitted stocks of dairy products mounted to a peak of 1.5 billion pounds, and a heavy rate of purchase at the time threatened to push the inventories to an even higher total.

Vigorous efforts to open outlets stepped up the rates of disposition and reduced the Government inventories substantially. Through a continuing expansion or extension of consumption outlets and a reduced rate of purchases of butter and cheese, the out-movement from CCC stocks has tended to keep pace with acquisition of new stocks in recent years.

By the end of 1959, CCC's uncommitted holdings had been reduced to only 7 million pounds of cheese -- no butter, and no nonfat dry milk. Currently -- as of early December 1960 -- total holdings consist of no cheese, 15.5 million pounds of butter, and 256 million pounds of nonfat dry milk.

Countries to which surplus dairy products have moved comprise almost the entire free world. There are few friendly countries whose people have not had their diets bolstered by U. S. dairy products. In this country, butter, cheese, and milk -- both fluid whole and nonfat dry -- have been used extensively to improve school lunch menus and to supplement food supplies for those in need.

Although donations account for a major part of the eventual disposition of surplus dairy products, other means also have been explored to broaden consumption of U. S. dairy products. By pricing CCC stocks for export sale at world price levels, commercial exports have been encouraged. Further



encouragement has been given by arranging sales to be paid for in foreign currencies. Samples have been distributed at trade fairs abroad to acquaint buyers in foreign lands with U. S. dairy products. Sales and donations to the Veterans Administration and to the Armed Forces, at home and abroad, have helped to increase consumption. Dairy products have also been bartered for strategic materials being stockpiled for national defense.

Other outlets have been developed through a search for special uses of dairy products either in this country or abroad. CCC-owned butter has been made available at reduced prices for extending cocoa butter when the latter was in short supply in the U. S.; and a large quantity of nonfat dry milk was sold for use as a protein supplement in mixed feeds to meet a feed shortage in 1954 when CCC-owned stocks of dry milk were huge. Butter and nonfat dry milk have been made available for recombining into fluid milk in countries with deficient milk supplies. Through sales to foreign governments and international agencies dairy products drawn from CCC stocks have helped to improve diets in many areas of the world.

#### Special Programs

In addition to programs for sale, barter, or donation of CCC-owned stocks of dairy products, special programs have been devised to increase use of fluid milk so that a smaller volume of surplus products will be sold to CCC. Specially successful has been a program to increase consumption of fluid milk by personnel in the Army, Navy, Air Force, Marines, Coast Guard, U. S. Merchant Marine Academy, and Veterans Hospitals. Under this program, which has tripled purchases of fluid milk by these outlets, CCC pays a part of the cost of any milk consumed over-and-above normal purchases. From late 1954 through 1959, consumption of milk by the Armed Forces and in Veterans Hospitals was stepped up to more than 2.1 billion pints above normal for the period.

Through a special milk program administered by the Agricultural Marketing Service, CCC funds are also used to increase consumption of fluid milk by school children. During the last fiscal year (ended June 30, 1960) a total of nearly 2.4 billion half-pints of milk was consumed in addition to milk served with lunches under the National School Lunch Program.

Except for the increases in consumption of fluid milk by these outlets, larger quantities of manufactured dairy products undoubtedly would have been offered to CCC for purchase under its price support operations.

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